

# The role of social cash transfers in fostering economic activities

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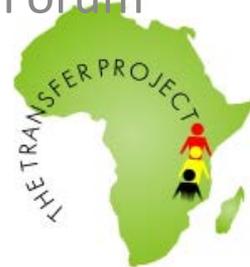
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# Productive Safety Nets and Unproductive Social Cash Transfers

- Perception that cash transfer only programs do not have economic impacts
  - Focus explicitly on food security, health and education
  - Targeted towards ultra poor, bottom 10%, labor constrained, elderly, infirm, etc
  - Beneficiaries primarily women
  - Separated from productive households as “direct support”
  - Often seen as welfare, charity, handout



# Why should we expect economic impacts from SCT programs?

- Missing/poorly functioning markets
  - credit / savings, insurance, labor, goods and inputs
  - link consumption and production decisions at household level
    - particularly in context of subsistence agriculture
- Households are linked via
  - reciprocal relationships, social networks
  - economic exchanges



# What can cash do?

- Relax credit/liquidity constraint
- Allow households to take some risk
- Relax pressure on informal social networks
  - facilitate beneficiary participation
  - non beneficiaries to redirect their resources
- Inject resources into local economies



# Economic impacts come through three main channels

1. Improvement in human capital (long term)
2. Changes in household behavior
  - changes in labor allocation of household members
  - investment in productive activities/assets
    - crop/livestock production, non farm business
  - prevention of detrimental risk-coping strategies
    - distress sales of productive assets, children school drop-out, or risky income-generation activities
3. Via the local economy
  - transfers between beneficiary and ineligible households
  - effects on local goods and labor markets
  - multiplier effects



# There is evidence, though scanty

## Some examples

- Mexico (Oportunidades)
  - Positive spillover effects on non beneficiaries
  - Increased land use, livestock ownership, crop production, agricultural expenditures; greater likelihood of operating a microenterprise
    - Yet: agricultural households less likely to comply with conditionality—time conflict
- Malawi (SCT)
  - Among ultra poor, labor constrained households: increased agricultural investment/production, decreased ganyu, decreased child work off farm
    - Yet: increased child labor on farm



# Why should we care?

## 1. Contribute to policy debate

- Understand overall contribution of SCTs to poverty reduction (cost-effectiveness)
- Address concerns about dependency and misuse of money
- Establish SCT as promoting productive activities
  - Min of Finance types tend to favor
    - public works -- in which the community asset-building and benefits seem clearer, or
    - productive input subsidies – in which production and market stimulation take precedence



# Why should we care?

## 2. Contribute to program design

- Most programs not designed with productive dimension in mind
  - Miss potential synergies and constraints (eg, on farm labor demand, child labor)
- Evidence on how households spend, invest, or save can help strengthen design and implementation
- Social cash transfers increasingly looking for graduation strategies, “productive insertion of the beneficiaries” or welfare-to-work transitions
  - In much of Sub Saharan Africa, most income-generation will come from agricultural and rural non-farm activities.



# So what is the big challenge?

- Most SCTs focus on poverty, health, education, nutrition
  - Accompanying impact evaluations tend to pay little attention to economic activities
  - Not enough data collected to carry out detailed analysis



# But massive potential: most new CTs in SSA accompanied by rigorous impact evaluation

- Malawi SCT
  - Mchinji pilot, 2007-2009
  - Expansion, 2011-2013
- Kenya CT-OVC
  - Pilot 2007-2011
  - Expansion, 2011-2013
- Mozambique PSA
  - Expansion, 2008-2009
- Zambia
  - Kalombo pilot, 2005
  - Monze pilot, 2007-2010
  - Expansion and child grant, 2010-2013
- South Africa CSG
  - Retrospective and expansion, 2010-2013
- Ethiopia
  - PNSP, 2006-2010
  - Regional minimum social protection package, 2011-2013
- Ghana LEAP
  - Pilot, 2010-2012
- Lesotho, CSP
  - Pilot, 2011-2012
- Uganda, begins in 2011
- Zimbabwe, begins in 2011
- Tanzania, TASAF



# One response to potential: From Protection to Production

- FAO –UNICEF project focusing on understanding the economic impacts of SCT (funded by DFID)
  - Working with 6-8 countries
- Part of the larger Transfer Project
  - Effort to support impact evaluation and experience sharing among SCT programs in sub Saharan Africa
  - Partnerships with government and national research institutes
  - Joint UNICEF, FAO, Save the Children and University of North Carolina



# Strengthen data collection in ongoing impact evaluations in the region

- Design, pilot and supervise modules on economic activities, productive assets, social networks, shocks and climate change
  - Prototypes, and country specific
  - Two countries in the field
- Economic “linkages” questions throughout household questionnaire, as well as business enterprise survey, as input for local economy SAM/CGE models
- Integrate qualitative/quantitative design and methods



# Provide evidence on economic impacts

- Analyze existing (more limited) data
  - Malawi, Kenya, Mozambique
- Analyze new data
  - Household economic decision making on productive activities and labor allocation; risk coping; time use and social networks using baseline and follow up data
  - Local economy impacts using baseline data, via simulation models
  - Integrate qualitative and quantitative findings



# Increase capacity of program managers and policy-makers

## As part of overarching Transfer Project

- Direct technical assistance/quality assurance on impact evaluation design, data collection and analysis
- Input into policy process and ongoing program implementation
- Community of practice on impact evaluation
  - Network, website, face to face meetings, thematic capacity-building events
  - First meeting in Naivasha (January, 2011)



# The Transfer Project

<http://www.cpc.unc.edu/projects/transfer>

or

Google “The Transfer Project UNC”

